

VZCZCXRO4070

RR RUEHBZ RUEHGI RUEHJO RUEHMA RUEHMR RUEHPA RUEHRN RUEHTRO

DE RUEHDU #0119/01 3571341

ZNR UUUUU ZZH

R 231341Z DEC 09

FM AMCONSUL DURBAN

TO RUEHC/SECSTATE WASHDC 1533

INFO RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC

RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE

RUEHZO/AFRICAN UNION COLLECTIVE

RUEHDU/AMCONSUL DURBAN 0915

UNCLAS SECTION 01 OF 02 DURBAN 000119

SENSITIVE

SIPDIS

FOR AF/S, INR

E.O. 12958: N/A

TAGS: [ETRD](#) [EIND](#) [EINV](#) [EAIR](#) [PGOV](#) [SF](#)

SUBJECT: DUBE TRADEPORT PROJECT AIMS TO INCREASE KWAZULU-NATAL'S INTERNATIONAL STANDING

REF: 08 DURBAN 23

DURBAN 00000119 001.2 OF 002

This cable is a collaboration between Consulate General Durban and Embassy Pretoria. It is part of a series of reporting on regional transport infrastructure developments.

¶11. (SBU) Summary. Post visited Durban's Dube TradePort project to receive an update on construction progress and success at attracting international investors. The first phase of the project to create a new international airport and trade zone in KwaZulu-Natal (KZN) Province is 85 percent complete. Several international carriers have expressed an interest in launching service to the new international airport, which is located in close proximity to Durban, Richards Bay, and all of KZN, South Africa's number one domestic tourism destination. The tradeport aims to increase economic growth through the creation of thousands of additional jobs at the port and expected tourism and retail offshoots. The province faces competition from other regional tourism destinations such as Mozambique, and is not as well promoted internationally as Cape Town. However, this project and other tourism promotion initiatives should help KZN leverage expected tourism growth during the 2010 FIFA World Cup. End Summary.

DUBE TRADEPORT HOPES TO LEVERAGE PROXIMITY TO SEAPORTS

¶12. (U) Post visited the Dube TradePort project on October 20, to receive an update on construction progress and success with attracting international investors. The Dube Tradeport is located in close proximity to two of Africa's busiest and largest seaports, the Port of Durban and the Port of Richards Bay. It combines a new international airport with an onsite trade zone to promote tourism and trade in KZN (reftel), which has the second-largest provincial gross domestic product in the country. The current Durban airport provides only limited international flights within the Southern Africa region. The total project cost is estimated at R6.8 billion (\$932 million) and the first phase of the project is 85 percent complete. The targeted completion date for the first phase is May 2, 2010.

¶13. (U) The new airport is being built approximately 50 kilometers northeast of downtown Durban. (Note: The official name of the airport is still being debated, with "King Shaka International Airport" cited as the leading choice. End Note.) According to Dube Tradeport officials, the new airport will have a few comparative advantages over OR Tambo International Airport (ORTIA) in Johannesburg. ORTIA is currently the busiest airport in Africa, but is costly to service due to its high altitude (5,500 feet above sea level). In contrast the new Durban

airport will be at sea level, requiring less fuel for long-haul flights. Cargo security has historically been a concern at ORTIA and international carriers are looking at developing alternative hubs.

¶4. (U) Logistics costs to transport high-value international air cargo destined for other Southern African countries via the Dube Tradeport would also be lower due to its proximity to the Port of Durban. Currently, most high-value/time sensitive products destined for the Southern African market (such as pharmaceutical products) are transported via air cargo to ORTIA and then transported by road to either the Port of Durban for further transport via ship or directly to neighboring countries, which significantly increases overall delivery time and costs.

¶5. (U) Approximately 800,000 Durban bound/based passengers fly via connections at ORTIA per year due to a lack of direct international flights from Durban. According to the Center for Development and Enterprise, KZN is already the number one domestic tourism market in South Africa and the KZN provincial government is beginning to market it more aggressively in international settings (reftel). The new airport will be able to accommodate two wide-bodied Airbus A380 aircraft at a time. Passenger capacity after the completion of the first phase is projected at 7.5 million passengers per year. Plans also allow for further phased expansions to reach the eventual capacity to accommodate 45 million passengers per year by 2060.

INTERNATIONAL CARRIERS SHOW INTEREST IN NEW AIRPORT

¶6. (SBU) According to Dube Tradeport officials, an ideal commercial aviation strategy for South Africa would direct flights from the East to Durban international airport, flights from Europe to ORTIA, and flights from Latin America to Cape Town International Airport. They noted that the SAG has started to encourage airlines to follow this unofficial strategy. Emirates Airlines has already started a daily direct service

DURBAN 00000119 002.2 OF 002

between Dubai and Durban, which is already sold out until February 2010.

¶7. (SBU) Project organizers are also reaching out to other major international carriers with some success. Dube Tradeport officials said four other international carriers have shown strong interest thus far. Jet Airlines would like to launch daily direct flights between Chennai, India and Durban. Jet Airlines is currently negotiating a code-share agreement with South African Airways to receive approval for this new service. British Airways has agreed to launch direct flights also, but was waiting for the 2010 FIFA World Cup schedule to be finalized in December before announcing flight expansions. KLM and Lufthansa have expressed interest because of potential cargo business.

¶8. (SBU) Etihad Airlines has also expressed interest, but officials noted that there were some competition concerns with Emirates, which signed on first. Project organizers would also like to see Delta Airlines extend service to Durban. Delta currently has direct flights from the U.S. to ORTIA and has direct seasonal service to Cape Town. Dube Tradeport officials expressed the view that there would be good demand to launch a service from Kenya to Durban and asked post to encourage Delta Airlines to consider launching a route to Durban via Kenya. (Note: The U.S.-Kenya Open Skies agreement would not permit fifth freedom local traffic rights between points in Kenya and other points in Africa other than Senegal until April 1, 2011. End note.)

CARGO POTENTIAL

¶9. (U) The Trade Zone will include a cargo processing terminal, which will have direct air-side access for the rapid transport of time-sensitive products. It will be capable of managing about 100,000 tons of cargo per year with the ability to expand capacity to 400,000 tons per year. Dube Tradeport has appointed

WFS as the cargo terminal operator and is developing an adjacent facility to accommodate most of the current airfreight service providers in KwaZulu-Natal. Officials mentioned they are in contact with UPS about cargo service, and at their request post also provided contact information for FedEx.

TRADEPORT TO SPUR PROVINCIAL ECONOMIC GROWTH

¶10. (SBU) The Dube Tradeport aims to increase economic growth in KZN through the creation of thousands of additional jobs at the trade port and expected tourism and retail offshoots.

Approximately 3,000 employees work at the existing Durban airport, and the new airport would require at least 8,000 employees. Local low-cost carriers have expressed an interest in converting the existing airport into a hub for low-cost carriers in Southern Africa. International hotel chains have expressed an interest in developing hotels at the Dube Tradeport to serve the new international airport. Plans for at least two hotels are being finalized for phase two of the project.

¶11. (SBU) The SAG also hopes to develop a maintenance and repair hub for Africa as a part of the Dube Tradeport project. Dube Tradeport officials said eighty percent of the African market is served by Boeing aircraft, yet there is no Boeing maintenance facility on the continent. Dube Tradeport officials have identified South African Airways Technical to provide the technical expertise required to operate a potential maintenance and repair facility and are pursuing the initiative with Boeing.

COMMENT

¶12. (U) KwaZulu-Natal Province boasts some of the cleanest and well-managed beaches in the Southern African region and has attracted international investments to further develop its tourism and resort infrastructure (reftel). The province faces competition from other regional destinations such as Mozambique, and is not as well promoted internationally as Cape Town. Future phases of the Dube Tradeport project may face delays and financial constraints as the SAG grapples with a budget deficit. However, the completion of the first phase and other tourism promotion initiatives already underway will help expand KZN's international tourism base and grow the provincial economy. The tradeport's proximity to existing seaports and the altitude of the new airport will provide it with a regional competitive advantage. The project will also receive a boost if it is completed on time to leverage tourism growth during the upcoming 2010 FIFA World Cup.

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